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Southwest Energy Efficiency

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From: Jeff Schlegel, SWEEP

Date: February 12, 2008

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Re: Comments on the Proposed UNS Gas DSM Programs
**In the Matter of the Application of UNS Gas, Inc. for Approval of its
Proposed Demand Side Management Program Portfolio Plan 2008-2012
Docket No. G-04204A-07-0274**

DOCKETED BY

Open Meeting Agenda Item U-24

The Southwest Energy Efficiency Project (SWEEP) hereby submits its comments on the UNS Gas Demand Side Management (DSM) Program Portfolio Plan 2008-2012 and the four DSM programs proposed. I am unable to attend the February 12, 2008 Open Meeting in person due to a hearing in Connecticut in which I am testifying, therefore SWEEP is submitting written comments on the Staff Report and Recommended Order and Opinion.

1. SWEEP supports the four DSM programs and urges Commission approval.

SWEEP supports the four UNS Gas DSM programs (Low Income Weatherization, Efficient Home Heating, Energy Smart Homes, and Commercial and Industrial Facilities Gas Efficiency) scheduled for Commission action during the February 12, 2008 Open Meeting. As Staff's analysis found, the four DSM programs are cost-effective.¹ These programs will help residential and C&I customers in the UNS Gas service territory to increase their energy efficiency and reduce their energy costs, thereby mitigating the impact of rising energy prices.

SWEEP supports Staff's findings, and urges Commission approval of the four DSM programs.

2. SWEEP supports flexibility in DSM program budgets and funding to react to customers and the market, and to respond to evolving market conditions. Therefore, SWEEP supports the Staff recommendations on fund shifting and overall funding levels in the Recommended Order and Opinion (ROO).

¹ Staff found that the Low Income Weatherization program can be considered cost-effective once the projected environmental savings and the electric savings are also taken into account (Recommended Order and Opinion, p. 8, paragraph 30).

SWEEP supports program flexibility in program budgets and funding. Flexibility is necessary and valuable to react to customers and the market, to respond to evolving market conditions, and to take advantage of opportunities that may not have been fully considered or available during program planning.

Staff provided several recommendations on fund shifting and funding levels that would allow flexibility through (1) fund shifting among some residential programs (but not fund shifting from residential programs to the C&I program or vice versa), (2) fund shifting from one measure to another measure within the C&I program, and (3) a limited potential increase in total DSM portfolio funding (ROO, p. 26-27, paragraphs 106-109). Staff also recommended limits on fund shifting and total DSM portfolio funding, which seem appropriate to SWEEP. SWEEP supports the Staff recommendations on fund shifting and funding levels.

3. SWEEP supports the program budgets, incentive and marketing budgets, and incentive levels proposed by UNS Gas and reviewed and recommended by Staff. Staff also recommended a periodic review of incentive levels, which SWEEP supports. SWEEP recommends that the Commission not reduce program incentive budgets through amendments of the ROO.

Staff has reviewed the four proposed DSM programs and has recommended Commission approval (with some modifications). As part of its review, Staff analyzed program budgets, including incentive and marketing budgets. SWEEP concurs with Staff's analysis and recommends Commission approval as recommended in the ROO.

As SWEEP has noted in comments before the Commission previously, incentives are very important in encouraging customer action and participation in DSM programs, and incentives are an essential part of program marketing. Rebates and financial incentives are essential marketing tools in virtually all retail businesses. DSM incentive levels are carefully developed based on a full analysis and review of market conditions and opportunities, and the incentive levels are reviewed by Staff. Reducing the program incentive budgets could result in a decrease in program participation, through either a reduction in the number of incentives, or a reduction in the incentive level per measure. Reducing carefully-planned incentive levels prior to implementation of the three new DSM programs in the field is not recommended.

SWEEP supports the incentive and marketing budgets, and the incentive levels, as recommended in the ROO. Staff also recommended a periodic review of incentive levels, which SWEEP supports. Therefore, SWEEP recommends that the Commission not reduce the DSM program incentive budgets through amendments of the ROO.

If the Commission feels additional funding for program marketing is needed, then SWEEP would recommend an increase in the total DSM portfolio budget to fund the additional marketing, not a decrease in the incentive budgets.

Thank you for your consideration of the UNS Gas DSM programs and the opportunity to provide these comments.